

Milwaukee County Employees' Retirement System (ERS)

Investment Committee Meeting

MINUTES

Call to Order:

Chairperson, Sarah Peck called the meeting to order at 2:30 pm, on 12-7-09, in Room 203-P, of the Milwaukee County Courthouse, 901 N. 9th Street, Milwaukee, WI. 53233.

Roll Call:

Board Members Present:

Jeffrey Mawicke
Dean Roepke
John Maier
Sarah Peck
Keith Garland

Others Present

Gerry Schroeder
Mark Grady
Dale Yerkes
Brett Christenson
Ray Caprio
David Arena

Four handouts were provided to the Board members and others in attendance:

- NASRA Public Fund Survey 2008
 - 2009 Report on City & County Retirement Systems-Wilshire Consulting
 - Hedged Equity Investing-Marquette Associates
 - Loomis High Yield (2000-2008)-Guy Stuller
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1. Topic: City & County Retirement Systems: Funding Levels & Asset Allocation

General discussion took place relating to the Wilshare Report and the NASRA Public Fund Survey. Most state plans are funded at an 85% level. Smoothing in the coming years of the recent market losses should significantly reduce this level. The funded ratio for all 104 city and county pension systems was 81% in 2008, significantly lower than the estimated 99% for all plans in 2007. These studies show that ERS's experience and policies are in line with those of other public funds.

2. Topic: Marquette-Asset Allocation & Overlay Update

Marquette Associates indicated little change in the asset allocation since the last update. A status report will be provided at the next Board meeting.

3. Topic: Money Manager Solicitations

General discussion centered around the current dilemma of Board members and others receiving unsolicited investment contacts. Most members agreed that such contacts should be referred to Marquette Associates for screening. Marquette Associates provided an overview of the process they utilize in screening out investment solicitors.

Marquette Associates provides a questionnaire to firms wanting to provide an overview of their products. Completed questionnaires are screened and some are granted an interview. Only about 70% actually complete the questionnaire and turn it in. It seems to be an excellent screening method.

The Investment Committee feels that a "process" needs to be established in order to deflect such inquiries and protect Board members from any appearance of preferential treatment. Unsolicited investment contacts should not undermine the Asset Allocation policy and process and the RFP process.

Mark Grady agreed to draft a simple rule for Pension Board review.

5. Topic: Long/Short Equity

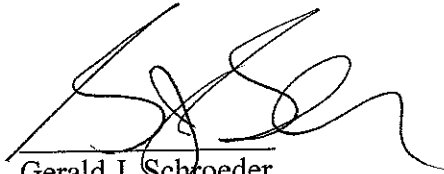
Hedged Equity Investing was presented as an educational topic. There are at least 7,000 Hedge funds out there right now, with only 200-300 that use a good strategy and worth investing in. Out of 300, only about 30 are worth investing in. Fees can run anywhere from 2-4%. Mutual Funds are limited as to what they can do. Hedge Funds are more flexible and can leverage and invest anywhere. Leverage does not necessarily mean risk.

There are four categories of Hedge Fund strategies: Event Driven, Relative Value, Long/Short Stocks & Tactical Trading. Long/Short is the only strategy recommended by Marquette Associates for ERS. ERS should focus on Fund of Funds.

Fund of Funds requires active due diligence. Steps include on-site visits, verification of third party pricing, using a third party broker and use of independent auditors. Long/short hedged equity strategies include Long Biased Equity, Market Neutral Equity and Short Biased Equity. Long/Short has out performed the stock market, over the last 10 years. Long/short captures a significant portion of up markets while capturing a smaller portion of down markets and therefore provides downside protection. One day in the future, our portfolio may be 50% Long/Short.

Hedge Funds have had a strong research component. They also have heavy fees attached to them. Marquette Associates really likes the use of Long/Short.

6. Adjournment: **The Investment Committee adjourned at 3:50 pm.**



Gerald J. Schroeder
ERS Manager